

BUDGET LETTER

SUBJECT: CONTROL SECTION 3.60	NUMBER: 08-14
REFERENCES:	DATE ISSUED: July 28, 2008
	SUPERSEDES: BL 07-20

TO: Agency Secretaries
Departmental Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Note: Please forward a copy of this budget letter (BL) to your department's/agency's Personnel and Labor Relations Officers.

This BL provides budget development instructions for fiscal-year 2008-09 employer retirement rate adjustments.

A. Background—Control Section 3.60

Retirement Rates Have Changed

Through Control Section 3.60, the Legislature adopted new employer retirement contribution rates that are not yet reflected in individual departmental base budgets. Pursuant to Control Section 3.60(a), **departmental appropriations will be adjusted** to accommodate the state employer's share of new retirement costs through the Budget Executive Order process.

Due Dates

Departments are required to return all attachments and related supporting documentation to their respective Department of Finance (Finance) Budget Analyst as soon as possible, but **no later than Wednesday, September 10, 2008**. Finance Budget Analysts are required to review and return all of the necessary attachments to the Employee Compensation Unit as soon as possible, but **no later than Wednesday, September 17, 2008**. **Departments should include the retirement rate adjustments in the first pass of their three year Schedule 10s.**

The following table displays the 2007-08 and 2008-09 retirement rates:

-A-	-B-	-C-
Retirement Category	2007-08 Retirement Rates	2008-09 Retirement Rates
Miscellaneous, First Tier	16.633%	16.574%
Miscellaneous, Second Tier	16.565%	16.470%
State Industrial	17.345%	17.236%
State Safety	18.835%	18.411%
Peace Officer/Firefighter	25.552%	26.064%
Highway Patrol	32.212%	32.149%

B. Instructions

To request funding for eligible adjustments, all departments should complete and submit Attachments II, III, and IV to their respective Finance Budget Analyst no later than September 10, 2008. The information is necessary to support the funding request and to provide the necessary scheduling information to process the Budget Executive Order. Refer to the following attachments to determine appropriate adjustments and to prepare departmental funding requests:

- Attachment I, **Treatment of Budget Documents**
- Attachment II, **Employer Retirement Rate Contribution Adjustment Worksheet**
- Attachment III, **Planning Estimate Adjustment Summary Worksheet**
- Attachment IV, **Control Section 3.60 Scheduling Worksheet**

*Please note all shaded cells retrieve information from prior cells and/or attachment.

Attachment I, Treatment of Budget Documents

Attachment I provides instructions on how to post retirement adjustments to the Planning Estimates and Schedule 10s. The attachment also explains how the retirement adjustments will be displayed in the Detail of Appropriations and Adjustments (Reconciliation with Appropriations).

Attachment II, Employer Retirement Rate Contribution Adjustment Worksheet

For the 2008-09 Salary Base, use the total salaries in the "regular/ongoing positions" current year column (2008-09) of your 2009-10 Schedule 7A.

Except for the Salary Savings Rate, Salary Base, and the Fund Split, all cells are formula driven. Departments should not modify these formulas. For the Salary Savings Rate, use the 2008-09 budgeted salary savings rate included in the first pass of the 2009-10 Budget Galley. For the Fund Split, refer to the Uniform Codes Manual, Numerical Fund Listing (<http://www.dof.ca.gov/html/calstars/ucm/20fundnum.pdf>), to determine the correct classification of a fund. Categorize federal funds and bond funds as Non-Governmental Cost Funds and identify Reimbursements separately.

The Alternate Retirement Program (ARP) is a retirement savings program certain state employees are automatically enrolled in for their first two years of employment with the State of California. If you have employees in ARP, include them in the Miscellaneous, Tier 1 retirement category total.

All retirement adjustments for salary increases will be detailed in the forthcoming Budget Letter for Employee Compensation.

Attachment III, Planning Estimate Adjustment Summary

Disaggregate the amounts shown on Attachment II, Employer Retirement Rate Contribution Adjustment Worksheet by item of appropriation. The current year (2008-09) and budget year (2009-10) totals must match. If there is a transfer in funds, please indicate all affected (budget act and non-budget act) items.

Attachment IV, Control Section 3.60 Scheduling Worksheet

Provide scheduling information for all adjustments. The total on Attachment IV, Control Section 3.60 Scheduling Worksheet must tie to the total on Attachment III, Planning Estimate Adjustment Summary. Departments must **manually** post and clearly note the 2008-09 adjustments listed on Attachment IV to their current year (2008-09) Schedule 10s.

C. Treatment of Budget Documents

Departments will use the Employer Retirement Rate Contribution Adjustment Worksheet (Attachment II) to calculate the required budget adjustment. Budget staff of the affected departments and their respective Finance Budget Analysts will make the necessary adjustments to the 2008-09 and 2009-10 budget documents to reflect the retirement rate adjustments identified on Attachment II. These include adjustments to the Planning Estimates, Supplementary Schedule of Appropriations (Schedule 10s), the Governor's Budget Summary by Object, etc., and Supplementary Schedules.

See Attachment I of this BL for instructions on the treatment of budget documents.

Departments must use the retirement rates in Column C of the table on page 1 in any Budget Change Proposal submitted to Finance, whether for the current year (2008-09) or the budget year (2009-10).

D. Additional Information

Please direct your questions to the following:

- Treatment of budget documents should be directed to your Finance Budget Analyst.
- Technical guidance on this BL should be directed to Koreen Martone, Employee Compensation Unit, at (916) 445-3274.

/s/ Tim Lynn for

Diana L. Ducay
Program Budget Manager

Attachments

TREATMENT OF BUDGET DOCUMENTS EMPLOYER RETIREMENT RATE CONTRIBUTION ADJUSTMENTS

A. Planning Estimates (PE)

Section 3.60—Post the totals from the completed Attachment III to PE line 0200 for each applicable item of appropriation as reflected on Attachment III. These baseline adjustments must be entered for both **current year** (2008-09) and **budget year** (2009-10). Attachment III will be used by the Employee Compensation Unit to update the PE system. Attachment III will be used by the Employee Compensation Unit to update the PE system, which may be prior to Finance Budget Analysts receiving completed PE worksheets from their departments.

B. Schedule 10s

A Budget Executive Order will be prepared to adjust 2008-09 departmental appropriations due to the change in retirement rates. Departments must **manually** post the 2008-09 adjustments listed on Attachment IV to their current year (2008-09) Schedule 10s.

Example:

Adjustment per Section 3.60:

Program A or Personal Services	\$XXX
Program B or OE&E	\$XXX
Reimbursements	<u>-\$XXX</u>
Total	\$XXX

C. Detail of Appropriations and Adjustments

Adjustments per Control Section 3.60 will be displayed in the automated Detail of Appropriations and Adjustments on the line entitled "Adjustment per Section 3.60," based on the adjustments posted on the department's Schedule 10s.

Example:

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (RECONCILIATION WITH APPROPRIATIONS) STATE OPERATIONS 0001 General Fund

	2007-08	2008-09	2009-10
APPROPRIATIONS			
001 Budget Act appropriation	\$XXX	\$XXX	\$XXX
Adjustment per Section 3.60	<u>XX</u>	<u>XX</u>	<u>--</u>
Totals Available	\$XXX	\$XXX	\$XXX
Unexpended balance, estimated savings	<u>-X</u>	<u>--</u>	<u>--</u>
TOTALS, EXPENDITURES	\$XXX	\$XXX	\$XXX